16. Grievances of the public in general and of traders in particular through income tax.

MR. NAINAN EIPE (*Member, Trading Classes, Kottayam*) said that though income tax was a fruitful source of revenue to the State, there was no hiding the fact that it was a source of hardship to the people in general and traders in particular. The reason for this was that several of the collectors left the whole matter relating to assessment of income tax in the hands of their clerks. Much hardship was also caused by the method of assessment. The Income Tax Regulation had been differently understood and differently worked by the collectors. Sections 3 and 7 should be properly interpreted. Under Section 3, "all income, profits and gains as described in or comprised in Section 4 from whatever source it is derived, if it accrues or arises or is received in Travancore, or is deemed to accrue or arise or to be received in Travancore" was subject to assessment. Applying this Section, the collectors assessed persons who lent money on interest, whether they had actually received interest or not. Strictly speaking, only the interest actually received at the end of a year should be liable to assessment and the mere fact that it was a source of income should not form the basis of assessment. The Section should therefore be properly interpreted and acted upon by the collectors. Section 7 made certain allowances in the assessment of income from property consisting of buildings of which the assessee was the owner. The Section should be so amended as to exclude from its operation all houses built by the owner of a land for his occupation until and unless it was actually rented out.

The next point was the assessment on profits of limited companies. The high rate of tax, *viz.*, 2 chs. in the rupee was deducted from the dividends which went to the share-holders, of whom only less than 5 per cent. would otherwise be liable to income tax. It was a hardship that petty share-holders, a large majority of whom had not to pay any income tax, should be forced to apply for the refund of the amounts deducted which, from the nature of the amounts, was a well-nigh impracticable task. The rule in this respect should therefore be amended so as to exclude from assessment the dividends which the companies declared, or, in the alternative, the companies should be empowered to pay the full amount of the profits to a share-holder if he made a sworn statement that he was not otherwise liable to income tax.

The collectors might be directed not to reject the accounts of traders as unreliable when the irregularity in keeping books arose through the want of a trained accountant whom only business-men who had invested ten thousand rupees or more could afford to employ.

Lastly, each town should be given a few more certified auditors and accounts audited by them should, in the absence of special circumstances, be accepted by the collectors as genuine.

DEWAN'S REPLY: Mr. Nainan Eipe, most of the matters you have complained about are in respect of inconveniences caused by the manner of assessment and collection and in the application of the rules. The Income Tax Commissioner has already taken steps to prevent inconveniences and to remedy inequalities in many respects. In other respects, your suggestions will be conveyed to him for early report to Government.

17. Hardships caused to the traders by the present working of the Income Tax Regulation.

MR. ITTIYAVIRA TARIAN (*Member, Trading Classes, Changanachery*) set forth the following grievences which he said the traders were subject to on account of irregularities in the methods adopted by Income Tax Collectors and the subordinate officials in assessing a person's income to income tax.

The first grievance was the assessment of income tax on the basis of gross receipts instead of the profits of a trader. The Income Tax Collector used to fix arbitrarily a certain percentage of the income as profits and on that basis the assessment was fixed. They discarded without any regard to the status of the trader the

LIBRARY ARCHIVES Kerala Legislative Assembly

accounts produced on the specious plea of unreliability. The assessment made on such a basis would be a gross mistake as the percentage of profits would vary with the trade from one-half to two and a half. The percentage arbitrarily fixed by the Income Tax Collectors varied from five to seven and a half and even ten. Such a procedure could never be in consonance with truth or justice. Even when a trader had lost heavily in his trade, he would have to pay income tax under the procedure now followed.

He next referred to the impropriety of fixing a certain percentage of gross receipts as income liable for taxation. There was no standard by which the percentage was fixed and the officers who assessed made a free and arbitrary use of their discretionary powers. To check the unjust decisions of the subordinate officers, it was suggested that the officers should be made liable to the assessees for any damages incurred by them if it was found on appeal that their decisions had been wayward.

Then in regard to assessing incomes under 'other sources', he said that the officers concerned acted on the basis of information gathered from various sources other than from the assessee direct, and such a procedure gave free play to unjust action on the part of the officers. He suggested therefore that the officers should be asked to specify the 'other sources' of income of the assessees.

The rule enforcing the production of receipts or vouchers for all items of expenditure was another source of grievance. In a country where vouchers for every item of expenditure were not and could not from the very nature of the expenditure be obtained, it was unjust to insist on the production of such documents.

The present system of assessing the probable income from house property to income tax was illogical. On an ethical point of view assessment on the probable income was bad and it was unjust to make an owner who lived in his own house or held business in his own shop building pay tax on the probable rental value of such building.

The next point was the hardship on account of the necessity for producing current account books and ledgers before the Division Peishkar. Under the existing arrangement, traders were required to produce their accounts before the Division Peishkar. This was mentioned as a serious inconvenience to the trading classes which the Member desired should be stopped. In such cases, the Division Peishkars should be asked to camp in the localities concerned and inspect the accounts then and there.

DEWAN'S REPLY: Mr. Ittiyavira Tarian, the points you have raised will be borne in mind for consideration.

2. As regards your suggestion that the examination of an assessee's books should be made on the spot and that he should not be required to go to the Divisional head-quarters for the purpose, the Income Tax Commissioner has already issued orders that, as far as possible, the examination should be made where the merchant or the trader has his business. For instance, in the case of a Changanachery merchant who hitherto had to go to Kottayam, the Commissioner has already issued definite instructions that the Division Assistant should conduct the examination of books and accounts at Changanachery and in the presence of the assessee himself as far as possible.

18. Grievances of salt licensees and how to redress them.

MR. S. KUMARAVELU PANIKKAR (*Member, Nominated*) said that in spite of the expansion of salt cultivation in Travancore, it has not been possible to reduce ever so little the large quantity of salt imported into the country year after year and that this has been a source of serious loss to the country. The reasons for this state of affairs were the following:—

(1) The licensees of new *allams* had no *jenmom* rights in respect of the *allams* they cultivated as in the case of licensees of the Old *allams*.

LIBRARY ARCHIVES Kerala Legislative Assembly